



NAVJEET K. BAL
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Office of the Commissioner
P.O. Box 9550
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March 19, 2009

The Honorable Charles A. Murphy, Chair
House Committee on Ways and Means
State House
Room 243
Boston, MA 02133

The Honorable Viriato Manuel deMacedo, Representative
House Committee on Ways and Means
State House
Room 124
Boston, MA 02133

The Honorable Steven C. Panagiotakos, Chair
Senate Committee on Ways and Means
State House
Room 212
Boston, MA 02133

The Honorable Michael R. Knapik, Senator
Senate Committee on Ways and Means
State House
Room 419
Boston, MA 02133

Honorable Chairmen and Ranking Minority Members of the Ways and Means Committees:

Pursuant to Chapter 196 of the Acts of 2008, the Department of Revenue hereby submits its mid-month tax collection report for March 2009. The attached table shows March 2009 month-to-date and FY2009 year-to-date tax revenue collections through March 16, 2009, along with the dollar and percentage changes from the same collection period in March 2008. Also shown are the percentage growth amounts for the full month of March 2009 and for FY2009 year-to-date through the end of March 2009 that were assumed in the benchmarks corresponding to the January 13, 2009 Executive Office for Administration and Finance FY2009 tax revenue estimate of \$19.450 billion. Please note that the \$19.450 billion estimate and the March 2009 month-to-date and year-to-date budgetary fund collection totals do not include increased cigarette tax collections resulting from the July 2008 increase in the cigarette tax, which are dedicated to the Commonwealth Care Trust Fund, a non-budgetary fund. However, the increase in cigarette tax collections resulting from the higher cigarette tax is shown in a separate line at the bottom of the table.

Through March 16, 2009, March 2009 month-to-date tax collections totaled \$881 million, down \$146 million from the same period in March 2008, with the full month March benchmark (based on the \$19.450 billion estimate) projecting total tax revenues of \$1.656 billion, a decrease of \$255 million from March 2008. The month-to-date decline through March 16th was primarily the result of lower corporate and business tax collections compared to March 2008, with smaller declines in income and sales tax collections. The decline in corporate and business tax collections was anticipated in the consensus revenue estimate and incorporated in the March monthly benchmark, as was much of the income tax decline.

Month-to-date withholding taxes through March 16, 2009 totaled \$412 million, down \$17 million from the same period in March 2008, compared to the revised benchmark estimate that projects withholding growth of \$6 million for the full month.

Month-to-date income tax cash refunds through March 16, 2009 totaled \$167 million, up \$14 million from the same period last March, with the full month benchmark calling for growth of \$38 million. The month-to-date number of refunds processed in March is running slightly ahead of last year, though it is too early in the month to know whether the processing speed-up will be in line with our assumptions for the month as a whole.

March is the largest collection month of the year for corporate and business taxes, as the first estimated payment of the current tax year (2009) is due for most corporations (equal to 40% of estimated annual tax liability), as are payments with tax returns or extensions for the prior tax year (2008). There are a number of factors other than the condition of the economy that were incorporated into the March 2009 benchmarks, and that affect projected growth from March 2008 to March 2009. These include: \$113 million in one-time financial institutions tax payments that were received in March 2008, but were not expected to recur this year; \$81 million in new revenue in March 2009 resulting from the check-the-box and combined reporting tax reforms; \$88 million in revenue reductions in March 2009 due to greater use of transferable tax credits, a reduction in the S-corporation tax rate, and other tax law changes; and a \$25 million corporate tax refund that was expected to be paid out this month. As a result of these factors, as well as a decline in corporate profits due to the ongoing recession, the March 2009 benchmark projected that corporate and business tax collections would decline by \$195 million, or 22.4% compared to March 2008.

Through March 16, 2009, month-to-date corporate and business tax collections totaled \$520 million, down \$98 million, or 15.8% from the same period in March 2008, compared to the \$195 million full month decline assumed in the monthly benchmark. At this point in March 2008, \$63 million of the \$113 million in one-time payments that were accounted for in the March 2009 benchmark had been received, so growth from March 2008 will decline by an additional \$53 million before the end of the month due to non-recurring revenue. In addition, as of March 16th, \$16 million of the \$25 million projected corporate refund remained to be paid, so growth from March 2008 will be reduced by that amount over the remainder of the month. Taking these adjustments into account, through March 16th corporate and business tax collections were about in line with the March 2009 benchmark, though there is significant processing of 2008 tax returns that remain to be done over the next two weeks.

March 16th was too early in the month for sales tax trends to be meaningful, as monthly sales tax payments (other than those for motor vehicle sales tax) are not due until March 20th. The full month benchmark assumes a decline of \$8 million in sales tax collections from March 2008.

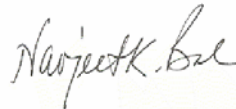
Three additional caveats are in order when considering the attached report:

- In March, a significant amount of collection activity occurs during the second half of the month, primarily because sales, meals, motor fuels, and rooms tax payments are due on the 20th of each month. Therefore, month-to-date growth comparisons for those tax types before the third week of the month are not necessarily indicative of final collections for the full month;
- March 2009 has one more deposit day than did March 2008, which means that collections on the last deposit day of the month could catch up somewhat with receipts in March 2008. There is also one more income tax refund cycle in March 2009 than there was in March 2008, which will increase income tax refunds compared to last year. This year's longer month and extra refund cycle were taken into account in the March 2009 benchmarks;
- There may be other differences in the due dates for certain tax payments from one fiscal year to the next (e.g., in withholding payments or the timing of refund cycles) which complicate month-to-date comparisons to the prior year.

As a result of these considerations, revenues received through March 16th as reported in the attached table may not be indicative of what the final results for the full month will be. Specifically, they do not necessarily represent one-half of the revenues to be received in the full month and the month-to-date growth rates compared to March 2008 could change significantly by the end of this month. Any variances from the monthly benchmark at this point in the month should not be relied on as an indicator of what total final revenues for the month will be, compared to the full month benchmarks.

If you have any questions concerning this report, please contact either me (at 626-2201) or Howard Merkowitz, Director of the Office of Tax Policy Analysis (at 626-2100).

Sincerely,



Navjeet K. Bal
Commissioner

Attachment

cc: Leslie A. Kirwan, Secretary of Administration and Finance
Representative Robert A. DeLeo, House Speaker
Senator Therese Murray, Senate President
Representative Jay R. Kaufman, House Chair, Joint Committee on Revenue
Senator Benjamin B. Downing, Senate Chair, Joint Committee on Revenue
Representative Bradley H. Jones, Jr., House Minority Leader
Senator Richard R. Tisei, Senate Minority Leader

Mid-Month Tax Collection Report for March 2009 (in \$ Millions)

Collections as of March 16, 2009, Compared to Same Collection Period in March 2008 and Revised Benchmark Base on January 13, 2009 A&F Estimate

	----- Month of March -----						----- FY09 Year-to-Date -----					
	03/09 MTD Collections	03/09 MTD v. 03/08 MTD \$ Change	03/09 MTD v. 03/08 MTD % Change	03/09 Full Month Benchmark (*)	% Growth from 03/08 Assumed in Monthly Benchmark	\$ Needed to Reach 03/09 Full Month Benchmark (*)	03/09 FY09 YTD Collections	03/09 FY09 YTD \$ Change	03/09 FY09 YTD % Change	FY09 YTD Benchmark (*)(**)	% Growth from 03/08 Assumed in FY09 YTD Benchmark	\$ Needed to Reach FY09 YTD Benchmark (*)(**)
Income - Total	277	(40)	(12.6%)	566	(8.8%)	290	7,322	(434)	(5.6%)	7,656	(5.0%)	334
Income Withholding	412	(17)	(4.1%)	793	0.8%	381	6,488	(65)	(1.0%)	6,927	0.2%	438
Income Est. Payments (Cash)	5	(3)	(36.4%)	13	(35.4%)	8	1,306	(335)	(20.4%)	1,313	(20.6%)	7
Income Returns/Bills	26	(5)	(15.5%)	63	(19.2%)	37	336	29	9.4%	373	5.1%	37
Income Refunds (Cash)	167	14	9.2%	304	14.4%	138	817	65	8.7%	965	11.6%	148
Sales & Use - Total	41	(14)	(26.2%)	288	(2.6%)	248	2,683	(150)	(5.3%)	2,946	(4.1%)	263
Sales - Regular	20	(7)	(26.0%)	207	(2.7%)	186	1,946	(100)	(4.9%)	2,144	(3.9%)	198
Sales - Meals	6	(1)	(18.4%)	46	4.4%	40	436	(1)	(0.2%)	482	1.9%	46
Sales - Motor Vehicles	14	(6)	(29.3%)	36	(9.6%)	22	301	(49)	(13.9%)	320	(13.2%)	19
Corporate & Business - Total	520	(98)	(15.8%)	681	(22.4%)	161	1,461	(223)	(13.2%)	1,618	(16.8%)	157
Corporate Excise	296	(21)	(6.5%)	442	(3.6%)	146	1,031	60	6.2%	1,158	4.0%	127
Insurance Excise	96	(26)	(21.4%)	115	(11.5%)	18	220	(43)	(16.5%)	241	(10.8%)	21
Financial Institutions Excise	108	(37)	(25.3%)	89	(64.6%)	(20)	214	(148)	(40.9%)	206	(55.9%)	(8)
Public Utilities Excise	20	(14)	(42.3%)	36	(9.7%)	16	(4)	(92)	N/A	13	(85.8%)	17
All Other	45	2	5.9%	125	3.2%	80	1,220	(15)	(1.2%)	1,307	(0.4%)	87
Total Tax Collections	881	(146)	(14.2%)	1,660	(13.3%)	779	12,686	(820)	(6.1%)	13,527	(6.0%)	841

Memo: Cigarette Tax Increase for
Commonwealth Care Trust Fund
(Not in Estimate or Benchmarks)

4	4	N/A	16	N/A	13	96	96	N/A	118	N/A	22
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(*) Benchmarks are Based on 1/13/09 FY09 A&F Estimate of \$19.450 Billion

(**) YTD Benchmarks are YTD full month benchmark totals (i.e., July through March full month totals)

Note: Detail may not add to total due to rounding and other technical factors.